Honorable Members of the Appropriations Budget Committee,

On behalf of the executive board of the Connecticut Government Finance Officers Association, I am submitting this written testimony with regard to the Governor's proposal to shift more than $400 million in teacher pension costs onto Connecticut towns and cities.

Note that this testimony only focuses on this item in the Governor's budget proposal as we realize that there are competing interests in other areas of proposed state funding, with the overall funding proposal creating some winners, but many losers. However, the shift in teacher pension funding affects all municipalities. We strongly oppose this proposal due to the potentially crippling impact that this could have on many municipal budgets and overall finances. It has already created tremendous budget uncertainty. Standard and Poors Global Ratings estimates that the average cost impact of the teacher retirement funding to cities and towns is in excess of 3% of current general fund expenditures, with the percent impact obviously even larger on Board of Education expenditures. In this current economic climate where all Connecticut municipalities are striving to limit property tax increases, most of which are already dealing with declining state aid, the news of this particular proposal is frankly devastating to many. Should this proposal pass as part of the state budget, municipalities will be faced with the unfortunate options of increasing property taxes, reducing services, and utilizing fund balance, or some combination of these in order to fund this significant expense.

GFOA-CT is troubled by the fact that, due to the state not making sufficient contributions to the teacher retirement system for decades, they are now unfairly passing along the burden to its town and cities. The utilization of reserves to fund this substantial cost proposal would be likely with most local governments, particularly in the first year. The political appetite to raise property taxes is very low, and many municipalities may not have sufficient budgetary flexibility to make the necessary expenditure adjustments. The financial difficulties of the state have been well documented. It is not a stretch to suggest that the state could very well be positioning itself toward enhancing its own credit status while subjecting many of its cities and towns to a possible negative credit impact environment should such a financial shift come to fruition.

GFOA-CT urges state legislators to carefully consider the significant negative impact that the shift in teacher pension funding would have on our local governments, and take note of our opposition to this particular proposal from the Governor.

Respectfully,

Richard Darling, President of GFOA of Connecticut